GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:364
ANSWERED ON:18.04.2002
PRIVATE PARTICIPATION IN DEFENCE PRODUCTION
VSM (RETD.) COL. CHOUDHARY

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government are considering involving International companies to promote exportable products manufactured indigenously for India`s defence establishment;

(b) if so, the details thereof; and

(c) the involvement of private sector and international companies in Defence production and the status of existing Public Sector Undertakings and Ordnance Factory Boards?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 364 FOR 18.4.2002

The Defence industry sector has been opened for participation by Indian Private Sector upto 100% of equity, with Foreign Direct Investment (FDI), component of it being permissible upto 26%, both being subject to licensing permissions.This includes all types of defence equipment. Guidelines have been issued by the Department of Industrial Policy & Promotion (DIPP) in consultation with the Ministry of Defence regarding the modalities for consideration of applications for grant of license. The private companies are allowed to apply either individually or by a partnership firm amongst themselves. The Chief Excutive of the company/partnership will be a resident Indian. The company/partnership firm can have Foreign Direct Investment upto 26% of the equity.Preference would be given to original equipment manufacturers or design establishments and those having a good track record of supplies. However, there would be a three years lock-in period for transfer of equity from one foreign investor to another foreign investor and such transfer would be subject to prior approval of Foreign Investment Promotion Board (FIPB) and the Government.

2. All applications from the private entrepreneurs will be considered by the Department of Industrial Policy & Promotion in consultation with the Ministry of Defence and the licenses would be granted by the DIPP.The licensees are required to put in place adequate safety and security procedures which would be subject to verification by authorized Government agencies. The quality of the product will be assured by the Quality Assurance Agencies of the Ministry of Defence.The exports of manufactured items would be subject to policy and guidelines as applicable to Ordnance Factories and Defence Public Sector Undertakings.

3. The objective of the policy is to attract more investment in the Defence Sector and not to change the ownership of the Ordnance Factory Board and the Defence Public Sector Undertakings.These represent the core strength of Defence Industry in India and their continued growth and full utilization of capacities would be encouraged by the Government.